PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

CORPORATE SHAREHOLDER PROTECTION
What happens after the buy back?

The following example shows the position of the surviving shareholders following the buy back

The company The Three Amigos Ltd is valued at €1,000,000 with 3 shareholders as follows. Issued share capital 100 shares.

The Three Amigos Ltd effects 3 protection plans. The Three Amigos Ltd is the plan owner. Premiums are paid by The Three Amigos Ltd.

- Alan 40 shares (40%) €400,000 Life Cover
- James 40 shares (40%) €400,000 Life Cover
- Leanne 20 shares (20%) €200,000 Life Cover

Alan dies - What happens?

Life cover on Alan of €400,000 is paid to The Three Amigos Ltd who buy shares from Alans estate in line with the Legal Agreement.

RESULT - The shares bought back by the company are cancelled.

	Before		After	
	Shares %	Ownership	Shares %	Ownership
James	40	40%	40	67%
Alan	40	40%	-	-
Leanne	20	20%	20	33%

The shares bought by the company are cancelled. Thus, the number of shares held by the survivors will not increase, but, their percentage ownership of the company will. For example, James owned 40 of 100 shares, now he owns 40 of 60 shares of the business.

On a subsequent sale of shares by any of the survivors, it is this increased value which will apply for the purposes of Capital Gains Tax. However, as the buyback of the shares was funded by the company and not the shareholders personally, any chargeable gain will not be reduced by the amount paid for the shares by the company at the time of the buy back.

We advise that your client seeks professional tax and legal advice as the information given is a guideline only and does not take into account your client's particular circumstances.